

Message Text

CONFIDENTIAL

PAGE 01 STATE 026159
ORIGIN EA-12

INFO OCT-01 ISO-00 ONY-00 /013 R

DRAFTED BY EA/EP:STAFF:SRP
APPROVED BY EA/EP:AGEBER
DESIRED DISTRIBUTION
EA ONLY

-----110753 010411Z /65

R 010237Z FEB 78
FM SECSTATE WASHDC
TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 026159

STADIS/////////
NO DISTRIBUTION OUTSIDE EA; PASS USADB FOR AMBASSADOR ONLY

E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
JANUARY 31, 1978

1. ADB BOARD CRITICIZES ARREARAGES IN US CONTRIBUTION
(LIMITED OFFICIAL USE)

THE GERMAN EXECUTIVE DIRECTOR ABSTAINED IN THE ADB BOARD
DECISION TO ADJUST THE US CONTRIBUTION SCHEDULE TO TAKE
INTO ACCOUNT US ARREARAGES OF 10.5 MILLION DOLLARS TO
THE ASIAN DEVELOPMENT FUND. THE FRG ED NOTED THAT THE
US HAD INDICATED IT WOULD SEEK SUPPLEMENTAL APPROPRIATIONS
TO MAKE-UP THE SHORTFALL. HE ADDED THAT THE BOARD SHOULD
NOT TAKE TOO COOPERATIVE ATTITUDE ON THESE MATTERS
BECAUSE IT ONLY AGGRAVATED THE ADMINISTRATION'S PROBLEMS
WITH CONGRESS. THE UK AND CANADIAN EDS ALSO EXPRESSED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 026159

REGRET OVER US ARREARAGES. THE US ED INDICATED THAT
THE PRESIDENT'S BUDGET MESSAGE TO CONGRESS INCLUDED A
REQUEST FOR FUNDS FOR ARREARAGES.

2. ADB FINANCIAL POLICIES (LIMITED OFFICIAL USE)

ADB MANAGEMENT PROPOSED THAT THE BANK LOWER ITS ORDINARY

CAPITAL (OC) ANNUAL LENDING RATE FROM 8.30 TO 7.75 PERCENT AND INCREASE ITS LOAN COMMITMENT CHARGE FROM 0.45 TO 0.75 PERCENT EFFECTIVE BEGINNING THIS YEAR. THE BANK ALSO SUGGESTS AIDING 200 MILLION DOLLARS TO PROJECTED OC LOAN COMMITMENTS DURING 1978-1981. THE LENDING LEVEL FOR 1978 WOULD BE INCREASED BY 50 MILLION DOLLARS, RAISING PROJECTED COMMITMENTS FOR THIS YEAR TO 750 MILLION DOLLARS COMPARED TO 615 MILLION DOLLARS IN 1977. SEVERAL EDS, INCLUDING THE US, HOWEVER, QUESTION THE ADVISABILITY OF TOO RAPID AN EXPANSION TO AVOID REDUCING THE QUALITY OF LOANS. THEY ARE PROPOSING THAT THE EXPANDED COMMITMENT BE PHASED IN OVER THE FOUR YEAR PERIOD.

3. ASEAN STANDING COMMITTEE MEETING (CONFIDENTIAL)

PRESS REPORTS INDICATE THAT THE POSTPONED MEETING OF THE ASEAN STANDING COMMITTEE HAS BEEN RESCHEDULED FOR FEBRUARY 4 IN BANGKOK. COMMITTEE BUSINESS IS EXPECTED TO INCLUDE FURNISHING THE LONG AWAITED RESPONSE TO OUR PROPOSALS FOR PROCEEDING WITH THE INTERIM MECHANISM OF THE US-ASEAN DIALOGUE. IN PREPARATION OF THE STANDING COMMITTEE MEETING AMBASSADOR ZAIN HAD INFORMAL DISCUSSIONS WITH ERLAND AND MYSELF. WE AGREED THAT WE SHOULD AIM AT HOLDING THE NEXT US-ASEAN MEETING AROUND JUNE-JULY, THAT WE WILL SEEK THE SECRETARY'S PARTICIPATION

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 026159

IN THE MEETING AND THAT WE WILL WISH TO ARRANGE MEETINGS FOR THE ASEAN MINISTERS WITH CONGRESSIONAL LEADERS, MEDIA AND ACADEMIC CIRCLES AND THE BUSINESS COMMUNITY. ZAIN WAS TO CABLE THIS INFO TO HIS GOVERNMENT AND URGE THAT ASEAN PROPOSE COUPLE OF ALTERNATIVE DATES.

4. ASEAN RICE GROUP MEETING (LIMITED OFFICIAL USE)

ASEAN OFFICIALS MET RECENTLY UNDER THE AEGIS OF THE ASEAN RICE GROUP TO REVIEW THE 1978 OUTLOOK FOR RICE PRODUCTION AND TRADE IN THE REGION. INDONESIA, MALAYSIA, AND SINGAPORE REPORTED IMPORT REQUIREMENTS TOTALING ROUGHLY 2.5 MILLION TONS, INCLUDING 2 MILLION TONS FOR INDONESIA ALONE. EXPORT SURPLUSES IN THAILAND AND THE PHILIPPINES WERE PROJECTED AT ABOUT 1.8 TO 2.1 MILLIONS, POINTING UP THAT THE REGION AS A WHOLE WILL BE A NET IMPORTER OF RICE.

5. COMMON FUND (CONFIDENTIAL)

UNCTAD SECRETARY GENERAL COREA FAVORS WIDJOJO'S IDEA WHICH HE HAD EARLIER BROACHED TO DAS OAKLEY THAT LOWER LEVEL EXPLORATORY DISCUSSIONS MIGHT BE THE BEST MEANS OF GETTING THE FORMAL COMMON FUND NEGOTIATIONS BACK ON TRACK. COREA AGREED THAT IT WOULD BE DESIRABLE IF CERTAIN MEMBERS OF THE G-77 TALKED WITH THE VARIOUS

DEVELOPED NATIONS IN AN EFFORT TO CLOSE THE GAP. COREA IS EXPECTED IN WASHINGTON IN MID-FEBRUARY. WE WISH TO POSTPONE BILATERAL CONSULTATIONS WITH G-77 MEMBERS UNTIL AFTER WE TALKED TO COREA. IN THE MEANTIME WE ARE CONSULTING WITH INDUSTRIALIZED COUNTRIES, TODAY HERE IN WASHINGTON WITH SELECTED EUROPEAN REPS AND EARLY FEBRUARY IN THE OECD HIGH LEVEL GROUP ON COMMODITIES, ON WHICH WAY WE SHOULD GO.

6. COMMODITIES

THE THIRD PREPARATORY MEETING ON COPPER IS TAKING PLACE THIS WEEK. THE US BELIEVES THAT MORE ANALYSIS NEEDS TO BE DONE BEFORE A DECISION ON A STABILIZATION SCHEME IS CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 026159

MADE. WE SUPPORT THE CREATION OF A PRODUCER/CONSUMER FORUM (PCF) AS A VEHICLE FOR CONDUCTING THE ANALYSIS. IF LDCE OPPOSE THE CREATION OF A PCF WE WILL SEEK THE REESTABLISHMENT OF THE EXPERTS GROUP. (LOU)
THE COFFEE AGREEMENT WORKING GROUP ON THE FEASIBILITY OF INTERNATIONAL STOCK ARRANGEMENTS HAD A SPIRITED BUT INCONCLUSIVE FIRST MEETING. DISCUSSIONS WERE WIDE RANGING AND LIVELY BUT NEITHER PRODUCERS NOR CONSUMERS WERE WILLING TO COMMIT THEMSELVES TO ANY PARTICULAR SCHEME. THE STUDY GROUP AGREED THAT FUTURE DISCUSSIONS WOULD BE USEFUL BUT LEFT THE SCHEDULING TO THE EXECUTIVE DIRECTOR. (UNCLASSIFIED)
PRESIDENT CARTER SUBMITTED THE INTERNATIONAL SUGAR AGREEMENT TO THE SENATE ON JANUARY 25. OUR GOAL IS TO HAVE COMPLETED ACTION ON RATIFICATION AND IMPLEMENTING LEGISLATION BEFORE JULY 1. (UNCLASSIFIED)

7. MTN (LIMITED OFFICIAL USE)

MTN OFFERS WERE TABLED BY THE MAJOR PARTICIPANTS LAST WEEK. THE US OFFER, BASED ON THE SWISS FORMULA, HAS SO MANY EXCEPTIONS (LESS THAN FORMULA AND DEEPER THAN FORMULA CUTS) THAT MUCH OF THE HARMONIZATION ELEMENT IN THE FORMULA IS LOST. THE EC MADE A GENERAL STATEMENT INDICATING THAT THEY WOULD APPLY THE SWISS FORMULA WITH AN AVERAGE DEPTH OF CUT OF 38 PERCENT. THE JAPANESE OFFER, ALSO BASED ON THE SWISS FORMULA RESULTS IN A 40 PERCENT AVERAGE REDUCTION. THE LDCE, WHILE SUPPORTING THE ACCELERATION OF THE NEGOTIATIONS, WERE APPREHENSIVE THAT THEY NOT GO SO FAST AS TO OVERLOOK LDC INTERESTS.

8. TEXTILES (UNCLASSIFIED)

TREASURY HAS ACCEPTED A COUNTERVAILING DUTY PETITION FROM THE AMALGAMATED CLOTHING AND TEXTILE WORKERS CONCERNING TEXTILES AND APPAREL FROM, AMONG OTHERS, KOREA, CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 026159

TAIWAN AND THE PHILIPPINES. TREASURY MUST MAKE A PRELIMINARY DETERMINATION BY MAY 7 AND A FINAL DETERMINATION BY NOVEMBER 7.

9. US-JAPAN TRADE FACILITATION COMMITTEE (UNCLASSIFIED)

THE MINUTES OF THE JANUARY 11 EXECUTIVE COMMITTEE MEETING OF THE ADVISORY COUNCIL ON JAPAN-US ECONOMIC RELATION PUT IN CAPSULE FORM THE SKEPTICISM ABOUT THE TFC WHICH I ENCOUNTERED THERE. THE MINUTES REPORT AGREEMENT THAT, EVEN IF TFC OBJECTIVES OF REMOVING TRADE BARRIERS WERE FULLY REALIZED, IT WOULD HAVE LITTLE EFFECT ON THE JAPANESE SURPLUS. THE 20 PERCENT APPRECIATION OF THE YEN WAS SEEN AS HAVING A MUCH GREATER IMPACT. THERE WERE WARNINGS THAT THE TFC EFFORT COULD BACKFIRE, RAISE FALSE EXPECTATIONS, AND EVENTUALLY FEED PROTECTIONISM. AMONG SPECIFIC CONCLUSIONS, THE COMMITTEE AGREED TO USE THE TFC TO SEEK REMOVAL OF SPECIFIC IMPORT RESTRICTIONS, BUT NOT TO CIRCULATE A QUESTIONNAIRE. THE ADVISORY COUNCIL WILL DEVELOP AN UPDATED INVENTORY OF TARIFF AND NON-TARIFF BARRIERS, PUT A "PRICE TAG" ON EACH BARRIER IN TERMS OF TRADE LOST, AND CONDUCT A RESEARCH PROJECT ON STRUCTURAL CONSTRAINTS. THIS WILL BE PREPARATORY TO THE 15TH JAPAN-US BUSINESSMEN'S CONFERENCE IN TOKYO IN JUNE.

10. SINGAPORE PRESS REACTION TO PRESIDENT'S TAX DEFERRAL PROPOSAL (UNCLASSIFIED)

SINGAPORE PRESS HAS REACTED STRONGLY IN OPPOSITION TO PROPOSED REPEAL OF TAX DEFERRAL FOR CORPORATE INCOME EARNED ABROAD, POINTING OUT THAT REPEAL WOULD WIPE OUT THE BENEFITS OF HOST COUNTRY TAX HOLIDAYS AND OTHER INCENTIVES. ON POSITIVE SIDE, IT TOOK NOTE OF POSSIBILITY THAT DEFERRAL COULD BE PROVIDED SELECTIVELY THROUGH BILATERAL TAX TREATIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 026159

WAYS AND MEANS STAFFERS HAVE TOLD THE SINGAPORE STRAITS TIMES STRINGER, HOWEVER, THAT REPEAL OF NEITHER TAX DEFERRAL NOR DISC HAS ANY CHANCE OF PASSING.

11. GOA INTEREST IN MULTILATERALIZING HUMAN RIGHTS POLICIES (CONFIDENTIAL)

AUSTRALIAN OFFICIALS HAVE INDICATED A STRONG INTEREST IN THE CURRENT USG CONSULTATIVE VISITS WITH EUROPEAN AND

CANADIAN OFFICIALS AIMED AT DEVELOPING MULTILATERAL
APPROACH TO ADDRESSING HUMAN RIGHTS CONCERNS IN THE
CONTEXT OF IFI LENDING POLICIES. THEY MADE CLEAR THEY
WOULD LIKE TO BE INCLUDED IN ANY SUBSEQUENT CONSULTATIONS
IN THE ASIAN REGION.

VANCE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE026159
Document Source: CORE
Document Unique ID: 00
Drafter: STAFF:SRP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780047-0487
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802105/aaaadlee.tel
Line Count: 231
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f08b6dcd-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY, STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY, STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3440496
Secure: OPEN
Status: NATIVE
Subject: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT JANUARY 31, 1978
TAGS: EGEN, ECON, XC, XE, XP
To: EA POSTS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/f08b6dcd-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014